MORAN TOWNSHIP MACKINAC COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2004

Prepared By: Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Local Government Type City Townshi	p	Village	Other	Local Government Moran Town	Name Ship			County	
Audit Date 3/31/04		Opinion Da 8/3/04		D	ate Accountant Report S	submitted to Sta	te:	Mack	inac
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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 3, 2004

Township Board Moran Township Mackinac County, Michigan

I have audited the accompanying general purpose financial statements of *Moran Township*, *Mackinac County*, *Michigan*, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of *Moran Township's* management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

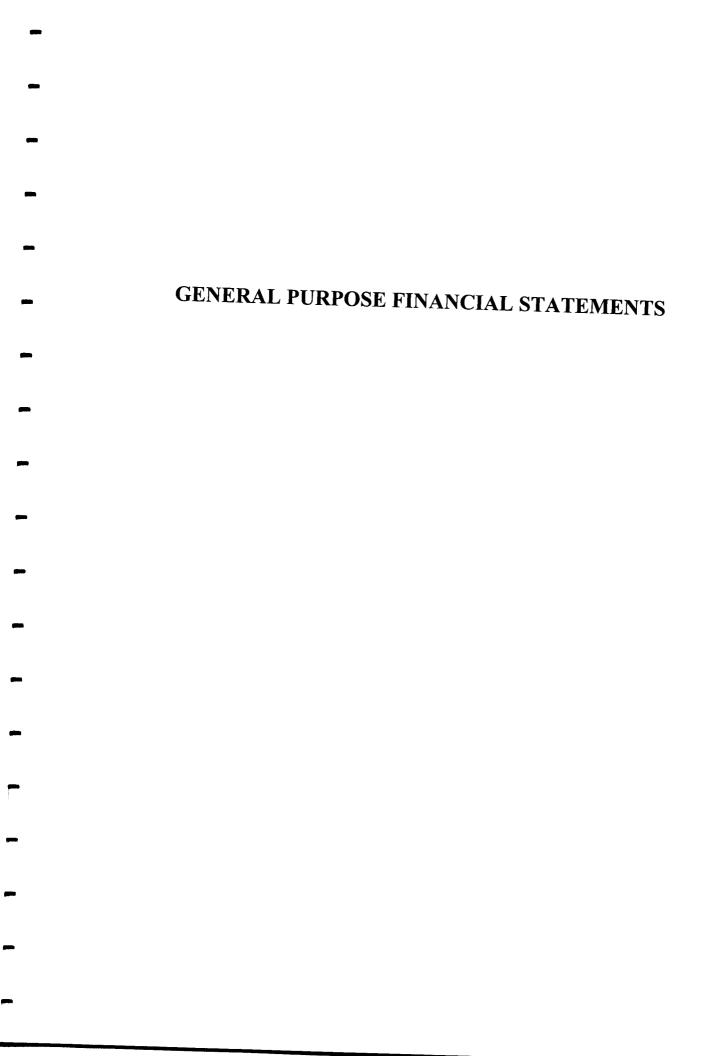
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of *Moran Township*, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report, dated March 31, 2004, on my consideration of Moran Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Moran Township*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements of *Moran Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statement and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Richard E. Mahlmeister, C.P.A.



MORAN TOWNSHIP COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP MARCH 31, 2004

	GOVERNMENTAL FUN	ND TYPES	PROPRIETARY FUND TYPE
ASSETS		IIIE	
ASSEIS	GENERAL	SPECIAL REVENUE	ENTERPRISE
Cash and cash equivalents			
Investments	\$249,411	\$560,553	\$215,020
Taxes receivable	-	329,791	,
Accounts receivable	14,254	19,731	11,734
Due from employees	-	-	2,074
Due from other governmental units	2,263	-	,
Due from other funds	12,873	-	
Property and equipment(net, where applicable,	2,863	12,466	2,654
of accumulated depreciation)			_,,,,,
Financing costs(net of amortization)	-	-	1,847,509
Special assessments receivable	-	-	13,097
opecial assessments receivable	-	-	275,069
TOTAL ASSETS	\$281,664	\$922,541	\$2,367,157
LIABILITIES AND FUND EQUITY TOTAL LIABILITIES			
LIABILITIES			
Accounts payable	\$ -	\$11,666	40.000
Due to other funds	9,690	\$11,000	10,000
Due to other governmental units	-	-	-
Accrued interest	_	•	-
Bonds payable		_	
Deferred revenue			8,832
	<u>-</u>	-	391,000
	<u> </u>	-	
TOTAL LIABILITIES	9,690	11.666	391,000 275,069
	9,690	11,666	391,000
FUND EQUITY	9,690	11,666	391,000 275,069
FUND EQUITY Contributed capital	9,690	11,666	391,000 275,069 684,901
FUND EQUITY Contributed capital Investment in general fixed assets	9,690	11,666	391,000 275,069
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved	9,690	11,666	391,000 275,069 684,901 1,339,369
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances:	9,690	- 11,666 - - -	391,000 275,069 684,901
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved:	- - - - -	11,666	391,000 275,069 684,901 1,339,369
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved: Designated for subsequent years' expenditures	9,690 - - - - 21,942	11,666	391,000 275,069 684,901 1,339,369
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved:	- - -	- - - - - - - - 910,875	391,000 275,069 684,901 1,339,369
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved: Designated for subsequent years' expenditures	21,942		391,000 275,069 684,901 1,339,369
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved: Designated for subsequent years' expenditures Undesignated TOTAL FUND EQUITY	21,942 250,032	- - - 910,875	391,000 275,069 684,901 1,339,369 - 342,887
FUND EQUITY Contributed capital Investment in general fixed assets Retained earnings - Unreserved Fund balances: Unreserved: Designated for subsequent years' expenditures Undesignated	21,942 250,032	- - - 910,875	391,000 275,069 684,901 1,339,369 342,887

FIDUCIARY FUND TYPE	ACCOUNT GROUP		
TRUST AND AGENCY	GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)	
\$20,642	\$ -	\$1,045,626	
-	-	329,791	
-	-	45,719	
-	-	2,074	
-	-	2,263	
-	-	12,873	
•	-	17,983	
-	166,349	2,013,858	
-	-	13,097	
•	-	275,069	
\$20,642	\$166,349	\$3,758,353	
\$ - 8,293	\$ -	\$21,666	
12,349	-	17,983	
· -	<u>-</u>	12,349	
-	-	8,832 391,000	
_	-	275,069	
20,642		726,899	
-	-	1,339,369	
-	166,349	166,349	
-	-	342,887	
-	-	21,942	
		1,160,907	
•	166,349	1,692,085	

MORAN TOWNSHIP COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
REVENUES			
Taxes	0117 440		
Licenses and permits	\$115,443	\$164,462	\$279,9
State shared revenues	8,719	-	8,7
Charges for services - sales	114,653	9,088	123,7
Interest	2,700	-	2,70
Other	1,312	10,906	12,2
	3,153	100	3,25
TOTAL REVENUES	245,980	184,556	430,53
EXPENDITURES			100,00
Current:			
Legislative			
General government	9,658	-	9,65
Public safety	110,279	-	110,27
Public works	85,523	1,645	87,16
Recreation	7,001	64,817	71,81
Other	-	23,204	23,20
Capital outlay	7,700	-	7,70
•	460	-	460
TOTAL EXPENDITURES	220,621	89,666	310,28
EXCESS OF REVENUES			310,20
OVER EXPENDITURES			
Z. DII URES	25,359	94,890	120,249
FUND BALANCES, BEGINNING OF YEAR	246,615	815,985	1 0/0 //-
FUND RALANCES END OFF		010,703	1,062,600
FUND BALANCES, END OF YEAR	\$271,974	\$910,875	\$1,182,849

See Accompanying Notes.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2004

		GENERAL FUND	
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$95,136	\$115,443	
Licenses and permits	5,500	8,719	\$20,307
State shared revenues	110,086	114,653	3,219
Charges for services - sales	800	2,700	4,567
Interest	1,000	1,312	1,900
Other	1,000	3,153	312
Moment -			2,153
TOTAL REVENUES	213,522	245,980	32,458
EXPENDITURES			22,130
Current:			
Legislative	14.770		
General government	14,750	9,658	5,092
Public safety	124,273	110,279	13,994
Public works	100,850	85,523	15,327
Recreation	8,700	7,001	1,699
Other	- 7,700	-	-
Capital outlay	500	7,700	-
	300	460	40
TOTAL EXPENDITURES	256,773	220,621	36,152
EXCESS (DEFICIENCY) OF REVENUES			50,102
OVER EXPENDITURES	(43,251)	25,359	68,610
FUND BALANCES, BEGINNING OF YEAR	246,615	246,615	_
FUND BALANCES, END OF YEAR	\$203,364	\$271,974	\$68,610

See Accompanying Notes.

SPECIAL REVENUE FUNDS

BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$92,817	\$164,462	\$71,645
1,885	9,088	7,203
<u>-</u>	10,906	10,906
94,702	184,456	89,754
-	-	-
1,885	- 1,645	-
64,817	64,817	240
28,000	23,204	4,796
	-	•
94,702	89,666	5,036
-	94,790	94,790
815,985	815,985	_
\$815,985	\$910,775	\$94,790

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES	
Charges for services and sales	
OPERATING EXPENSES	\$152,402
Cost of sales	
Amortization	110.4 co
·	110,169
Depreciation	1,348
Professional fees	20,932
TOTAL OPEN	405
TOTAL OPERATING EXPENSES	
ODED : The state of the state o	132,854
OPERATING INCOME	
Nov. o	19,548
NON-OPERATING REVENUES (EXPENSES)	
Interest income	
Current taxes - special assessments	20,963
Interest expense	33,036
Bond maintenance fees	(4,906)
	(250)
TOTAL NON-OPERATING (EXPENSES) - NET	
, , , , , , , , , , , , , , , , , , , ,	48,843
NET INCOME	
	68,391
ADD: Depreciation on Fixed Assets	
Acquired with contributed capital	
- tapitai	13,529
INCREASE (DECREASE) IN	
RETAINED EARNINGS	
	81,920
RETAINED EARNINGS, BEGINNING OF YEAR	51,720
	260,967
RETAINED EARNINGS, END OF YEAR	00,707
LAK	\$342,887

See Accompanying Notes.

MORAN TOWNSHIP COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

-	CASH ELOWS EDOM ODED	
	CASH FLOWS FROM OPERATING ACTIVITIES: Operating income	
		\$10.540
_	Adjustment to reconcile operating income to net	\$19,548
	cash provided by operating activities: Amortization	
	Depreciation	1 240
-		1,348
	(Increase) decrease in:	20,932
	Accounts receivable	450
	Taxes receivable	475
	Due from other funds	(11,734)
	Increase (decrease) in:	(1,092)
_	Accounts payable	40.00
	Accrued interest	10,000
	NDM C LOVE	2,218
	NET CASH FLOWS FROM OPERATING ACTIVITIES	
		41,695
	CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
	Furchase of fixed assets - construction in progress	
-	Construction period interest	(1,598,829)
	Current taxes - special assessments	(12,264)
	Interest expense	33,036
-	Bond proceeds	(4,906)
	Bond fees	1,352,898
	Principal paid on bonds	(250)
		(11,000)
	NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
		(241,315)
_	CASH FLOWS FROM INVESTING ACTIVITIES:	
-	Interest income	
		20,963
	NET INCREASE IN CASH AND CASH EQUIVALENTS	
-		(178,657)
	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
		393,677
	CASH AND CASH EQUIVALENTS, END OF YEAR	
	,	\$215,020
	See Accompanying Notes.	

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Moran Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting unit include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements. The following fund types and account groups are utilized by the Township:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes as dictated by legal, regulatory or administrative requirements.

PROPRIETARY FUNDS

Enterprise Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

ACCOUNT GROUP

General Fixed Assets Account Group

This account group presents the fixed assets of the Township utilized in it's general operations (non-proprietary fixed assets).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General and Special Revenue Funds are adopted at the activity level on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Material amounts of known commitments are sometimes recognized at the end of an accounting period to properly match the commitments with the applicable appropriation. No such commitments existed at March 31, 2004. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

FIXED ASSETS, DEPRECIATION AND AMORTIZATION

Fixed assets used in the general operation of the Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including streets, roads and sidewalks are not capitalized.

Proprietary fund fixed assets are capitalized, at cost, and reported as fixed assets on the balance sheet. Construction period interest costs are capitalized as part of the total cost of the related fixed asset. Depreciation has been provided over the estimated useful lives using the straight-line method calculated over the estimated useful lives of the related assets. Amortization of financing costs of the Proprietary Fund are recorded at cost and are amortized over 15 years using the straight line method.

LONG-TERM OBLIGATIONS

Long-term obligations that arise from transactions in governmental fund types are reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those amounts, which are legally, contractually, or otherwise segregated for future use. Designations of unreserved fund equity indicate management's tentative plans for use of financial resources in a future period. Undesignated fund balances indicates that portion of fund equity, which is available for budgeting in future periods.

PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended March 31, 2004, reflected in the accompanying financial statements include property taxes levied December 31, 2003. These taxes are due by February 15, 2004, and are added to the County tax rolls after February 28, 2004. The Township will receive 100% payment for the delinquent tax by June, 2004.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAX REVENUE RECOGNITION (CONTINUED)

The taxable value of the Township totaled \$67,762,636, on which ad valorem taxes consisted of 1.4544 mills for the Township's operating purposes, 1.9392 for township roads and .4775 mills for recreation purposes, raising \$98,671 for operating, \$131,755 for roads and \$32,707 for recreation.

VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

DEFERRED REVENUE

Deferred revenue recorded in the enterprise fund consists of special assessments on taxpayers for a water improvement project, and represents amounts to be collected in the future.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2004, the Township incurred expenditures in excess of the amount appropriated as follows:

Fund	Appropriations	Expenditures	Variance
GENERAL FUND			
Treasurer Cemetery	\$20,575 \$ 6,825	\$20,624 \$ 7,078	\$ 49 \$ 253

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in three financial institutions located in Mackinac County in varying amounts as follows:

Cash and cash equivalents Investments	\$1,045,626 329,791
	\$1,375,417

At year-end the carrying amount of the Township's cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$ 521,769 853,648	\$ 522,448 805,573
	\$1,375,417	\$1,328,021

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering to all board members which is administered by Municipal Retirement Systems, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6% of employees' gross earnings; employees also contributes 6% of employee's gross earnings. In accordance with these requirements, the Township and the employees each contributed \$4,017 for the year ended March 31, 2004, fees and other charges were \$185.

NOTE 5: PROPERTY AND EQUIPMENT - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Balance March 31, 2004
Township hall and office building	\$92,138	\$ -	\$92,138
Land and land improvements	22,502	· -	22,502
Building - cemetery	5,880	_	5,880
Storage building	1,000	-	1,000
Office Furniture and Equipment	35,331	460	35,791
Equipment	9,038	<u>. </u>	9,038
	\$165,889	\$ 460	\$166,349

NOTE 6: PROPRIETARY FUND TYPE FIXED ASSETS

A summary of Proprietary Fund Type fixed assets at March 31, 2004, is as follows:

_	Sewer	Water	Depreciable Life - Years
Water System Sewer system	\$ - 38,160	\$1,866,725	50 50
Construction in progress		9,705	
Less: accumulated Depreciation	38,160 12,211	1,876,430 54,870	
_	\$25,949	\$1,821,560	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: LONG-TERM DEBT

A summary of long-term obligations at March 31, 2004, and transactions related thereto for the year then ended is as follows:

-	Balance April 1, 2003	Additions (Reductions)	Balance March 31, 2004
Water Supply System Limited Tax General Obligation Bonds: 1994 issue maturing serially to 2009 in annual amounts of \$6,000 and bearing interest ranging from 4.8% to 7.0%.	\$42,000	\$(6,000)	\$36,000
Special Assessment Limited Tax Bonds; 2002 issue maturing serially to 2016 in annual amounts ranging from \$5,000 to \$30,000 and bearing interest at 4.1% to 4.3%.	360,000	(5,000)	355,000
Totals	\$402,000	\$(11,000)	\$391,000

The annual requirements to pay principal plus interest of \$106,003 based on debt outstanding at March 31, 2004, are as follows:

Year Ended March 31,	
2005 2006 2007 2008 2009 2010 – 2014 2015 – 2017	\$52.660 46,173 49,673 43,162 46,638 173,323 85,374
Total	\$497,003

Interest expense for the year ended March 31, 2004 was \$4,906. Interest capitalized and recorded as proprietary fund fixed asset, water system, for the year ended March 31, 2004 was \$12,264.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two enterprise funds which provide water and sewer services. Segment information for the year ended March 31, 2004, is as follows:

	Sewer	Water
Operating revenues	\$ 32,813	\$ 119,589
Depreciation	\$ 763	\$ 20,169
Operating income	\$ 7,805	\$ 11,743
Net income	\$ 8,071	\$ 60,320
Fixed asset additions	\$ -	\$ 1,598,829
Net working capital	\$ 51,069	\$ 125,581
Total assets	\$ 77,018	\$ 2,290,139
Bonds payable	\$ -	\$ 391,000
Total equity	\$ 77,018	\$ 1,605,238

NOTE 9: CONTRIBUTED CAPITAL

The changes in contributed capital in the enterprise funds for the year ended March 31, 2004 are as follows:

Contributed capital – beginning of year	\$ -
Additions	1,352,898
Less Depreciation	13,529
Contributed capital – end of year	\$1,339,369

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$2,863	\$9,690
Special revenue – road	11,594	
Special revenue – recreation	872	_
Enterprise Fund - water	2,654	_
Tax Collection		8,293
Total	\$17,983	\$17,983
1		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11: SPECIAL ASSESSMENTS

The Township has assessed property owners for a portion of a water project. Following is a summary of this activity for the fiscal year ended March 31, 2004:

Enterprise Fund:	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
U.S. 2 Watermain extension	\$308,105	\$ -	\$33,036	\$275,069

NOTE 12: CONSTRUCTION CODE

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown as Licenses and Permits and the related expenditures are shown under Building Inspection expenditures. Following is this activity for the year ended March 31, 2004, as reported in the accompanying financial statements:

Revenues:

revenues.	
Licenses & permits	\$8,719
Expenditures:	
Salaries & fringe benefits	5,114
Other	1,877
Total Expenditures	6,991
Revenue Over Expenditures	\$1,728

NOTE 13: COMMITMENTS

The Township is liable under a contract for road improvements in the approximate amount of \$156,300.

NOTE 14: RISK MANAGEMENT

Moran Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of Moran Township. Moran Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

(Continued)

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

NOTE 14: RISK MANAGEMENT (CONTINUED)

The plan has a maximum liability for property of \$474,400, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, automobile of \$1,000,000 inland marine liability of \$157,000 and bonding for public officials errors and omissions. Additionally, Moran Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 15: CONTINGENCY

A gas pipeline company appealed, to the Michigan Tax Tribunal, the method used to calculate the taxable base of the personal property assessed within the Township for the 1996 levy and future years. The Company has paid the total 2000, 2001, 2002 and 2003 tax and this amount is included in the financial statements as revenue. Because the outcome of this case is unknown, no provision has been made in the financial statements for any possible judgement against the Township.

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-	COMPINING AND INDIVIDUAL
-	COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES
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-	
-	
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-	
-	
-	
-	
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MORAN TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2004

		BUDGET	ACTUAL
	TAXES		
	Property tax	905 12 <i>C</i>	
	Property tax administation fees	\$95,136	\$98,671
		-	16,772
_	TOTAL TAXES	95,136	115,443
	LICENSES AND PERMITS		
_	Building permits	5,500	8,719
	STATE SHARED REVENUES		
-	State land tax and payments in lieu of taxes	22.027	
	Other State shared revenues	32,927 77,159	39,364
		77,139	75,289
_	TOTAL STATE SHARED REVENUES	110,086	114,653
	CHARGES FOR SERVICES - SALES		
_	Cemetery lots, vault rent and other	800	2,700
	INTEREST INCOME	1,000	1010
_		1,000	1,312
	OTHER INCOME	1,000	3,153
	TOTAL REVENUES	5313.533	
-	ALL / B. (OB)	\$213,522	\$245,980

MORAN TOWNSHIP GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE	ANCE ABLE RABLE)	FAV(ACTUAL	BUDGET	
Township Board \$14,750 \$9,658					LEGISLATIVE
Supervisor 23,911 19,779 Elections 4,025 228 Professional Services 12,200 9,947 Assessor 24,645 24,128 Clerk 20,500 18,562 Board of Review 2,412 1,129 Treasurer 20,575 20,624 Cemetery 6,825 7,078 Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY	\$5,092	,658	\$9,658	\$14,750	Township Board
Elections					GENERAL GOVERNMENT
Elections		770	10.770	23 911	Supervisor
Professional Services 12,200 9,947 Assessor 24,645 24,128 Clerk 20,500 18,562 Board of Review 2,412 1,129 Treasurer 20,575 20,624 Cemetery 6,825 7,078 Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY Ambulance 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700	4,132		•	*	Elections
Assessor	3,797			· · · · · · · · · · · · · · · · · · ·	Professional Services
Clerk 20,500 18,562	2,253		•	·	Assessor
Board of Review 2,412 1,129 Treasurer 20,575 20,624 Cemetery 6,825 7,078 Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY	517				Clerk
Treasurer 20,575 20,624 Cemetery 6,825 7,078 Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY 310,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY CAPITAL OUTLAY 200 1,700	1,938				Board of Review
Cemetery 6,825 7,078 Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS 5,088 5 Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER 1nsurance and bonds 7,700 7,700	1,283				Treasurer
Township Hall 9,180 8,804 TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY Ambulance 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700	(49)				Cemetery
TOTAL GENERAL GOVERNMENT 124,273 110,279 PUBLIC SAFETY Ambulance	(253)				•
PUBLIC SAFETY Ambulance 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700	376	804	8,804	9,180	To make Hall
Ambulance 20,000 17,168 Fire Department 40,000 34,001 Zoning 1,500 2,007 Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 7,700 7,700	13,994	279	110,279	124,273	TOTAL GENERAL GOVERNMENT
Fire Department					
Zoning	2,832			•	
Building inspection 7,520 6,991 Planning Commission 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 5,007 7,007 CAPITAL OUTLAY 5,007 7,007	5,999	001	34,001	· ·	
Planning Commission 7,320 6,991 31,830 25,356 TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 7,700 7,700	(507)				-
TOTAL PUBLIC SAFETY 100,850 85,523 PUBLIC WORKS Street lighting Sanitation 5,088 5,088 5,193 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 CAPITAL OUTLAY	529	91	6,991		
PUBLIC WORKS Street lighting	6,474	56	25,356	31,830	ranning Commission
Street lighting 6,500 5,088 Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 7,700 7,700	15,327	23	85,523	100,850	TOTAL PUBLIC SAFETY
Sanitation 5,088 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 7,700 7,700					PUBLIC WORKS
Sanitation 2,200 1,913 TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY 7,700 7,700 7,700	1.412	88	5 088	6,500	
TOTAL PUBLIC WORKS 8,700 7,001 OTHER Insurance and bonds 7,700 7,700 CAPITAL OUTLAY	1,412 287				Sanitation
OTHER Insurance and bonds 7,700 7,001 CAPITAL OUTLAY	287	W			TOTAL PURLIC WORKS
Insurance and bonds 7,700 7,700 CAPITAL OUTLAY	1,699	<u> </u>	7,001	8,700	101112 TOBLIC WORKS
CAPITAL OUTLAY					OTHER
CAPITAL OUTLAY 500 460		00	7,700	7,700	Insurance and bonds
	40	50	460	500	CAPITAL OUTLAY
TOTAL EXPENDITURES \$256,773 \$220,621	\$36,152	21	\$220 621	\$256,773	TOTAL EXPENDITURES

MORAN TOWNSHIP DETAILED SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

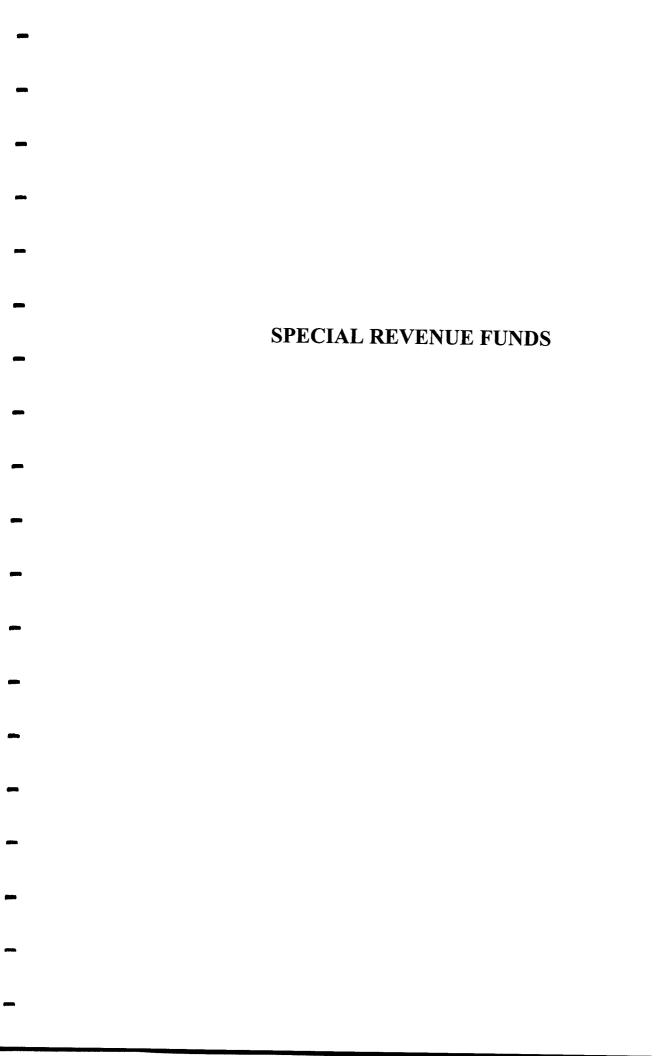
	LEGISLATIVE	
-	Township Board:	
	Salaries	
	Fringe benefits	\$3,940
	Office supplies	803
	Communications	525
	Printing and publishing	2,822
	Dues and subscriptions	433
	•	1,135
	TOTAL LEGISLATIVE	
		9,658
	GENERAL GOVERNMENT	
_	Township Supervisor:	
	Salaries	
	Fringe benefits	17,109
_	Office supplies	2,336
	Transportation	211
		123
_		10.550
		19,779
	Elections:	
_	Office supplies	220
4-		228
		228
	Professional Services:	
	Legal and accounting	9,947
-	Assessor:	
	Salaries	
	Fringe benefits	19,316
_	Contracted service	2,549
	Office supplies	1,793
	Tax preparation	158
_	Transportation	8
	Dues and subscriptions	199
	•	105
-		3.4.100
		24,128

MORAN TOWNSHIP DETAILED SCHEDULE OF EXPENDITURES (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL GOVERNMENT: (Cont'd)	
	Clerk:	
	Salaries	#1 = 000
	Fringe benefits	\$15,982
_	Contracted service	1,204
	Office supplies	900
	Transportation	351
_	Dues and subscriptions	75
		50
		18,562
_		10,302
-	Board of Review:	
	Salaries	760
_	Fringe benefits	58
	Office supplies	156
	Transportation	155
		1,129
	Treasurer:	
_	Salaries	
	Fringe benefits	12,580
	Contracted services	1,713
	Transportation	5,604
	Office supplies	75
	office supplies	652
		20,624
	Cemetery:	
	Salaries	
	Fringe benefits	600
	Contracted services	46
	Printing and publishing	5,850
-	Repairs	97
	Utilities	409
		76
		7.079
		7,078
	Township Hall:	
	Salaries	600
	Fringe benefits	46
	Contracted services	869
-	Repairs and maintenance	3,625
	Office supplies	800
	Utilities	2,864
_		
		8,804
	TOTAL CENEDAL COVERNMENT	
-	TOTAL GENERAL GOVERNMENT	110,279

MORAN TOWNSHIP DETAILED SCHEDULE OF EXPENDITURES (CONCLUDED) FOR THE YEAR ENDED MARCH 31, 2004

-		
	PUBLIC SAFETY	
	Ambulance:	
-	Contracted services	\$17,168
	Fire Department:	
_	Contracted services	34,001
		3-13001
	Zoning:	
_	Salaries	1,534
	Fringe benefits	93
	Printing and publishing	380
		300
		2,007
		2,3007
	Building Inspection:	
	Salaries	4,500
	Fringe benefits	614
	Transportation	1,737
_	Printing and publishing	55
	Dues and subscriptions	85
		6,991
		3,771
	Planning Commission:	
_	Salaries	4,019
	Fringe benefits	328
	Contracted services	20,760
_	Printing and publishing	249
		25,356
	TOTAL A DAY DE LA COLUMNIA DE LA COL	<u> </u>
	TOTAL PUBLIC SAFETY	85,523
	BUDI IC WODIZO	
_	PUBLIC WORKS	
•	Street Lighting	5,088
	Sanitation	1,913
_	TOTAL BUBLIC WORKS	· · · · · · · · · · · · · · · · · · ·
_	TOTAL PUBLIC WORKS	7,001
	OTHER EUNCTIONS	
_	OTHER FUNCTIONS Insurance and bonds	
	THOU AND DOUGS	7,700
	CAPITAL OUTLAY	
	CALLIAL UUILAI	460
_	TOTAL EXPENDITURES	
	TOTAL EATERDITURES	\$220,621



MORAN TOWNSHIP COMBINING BALANCE SHEET ALL SPECIAL REVENUE FUNDS MARCH 31, 2004

ASSETS	ROAD FUND	LIQUOR LAW ENFORCEMENT FUND	RECREATION FUND	TOTAL
Cash and cash equivalents	\$514,507	\$2,106	\$43,940	65(0.55
Investments	329,791	42,100	φ 4 3,240	\$560,55
Taxes receivable	15,833	_	3,898	329,79
Due from other funds	11,594		872	19,73 12,46
TOTAL ASSETS	\$871,725	\$2,106	\$48,710	\$922,54
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$11,666	<u> </u>	\$ -	\$11,66
FUND BALANCES:				
Unreserved:				
Undesignated	860,059	2,106	\$48,710	\$910,87
TOTAL LIABILITIES				400
AND FUND EQUITY	\$871,725	\$2,106	\$48,710	\$922,54

MORAN TOWNSHIP ALL SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2004

	ROAD FUND	LIQUOR LAW ENFORCEMENT FUND	RECREATION FUND	TOTAL
REVENUES:				
Taxes	\$131,755	s -	622 505	****
State shared revenue	8,052	1,036	\$32,707	\$164,462
Interest	10,906	1,030	-	9,088
Other	10,900	•	•	10,906
	-	•	100	100
TOTAL REVENUES	150,713	1,036	32,807	184,556
EXPENDITURES:				
Public safety				
Public works		1,645	~	1,645
Recreation	64,817	-	•	64,817
	•	*	23,204	23,204
TOTAL EXPENDITURES	64,817	1,645	23,204	89,666
EXCESS OF REVENUES				
OVER EXPENDITURES	85,896	(609)	9,603	94,890
FUND BALANCES - BEGINNING OF YEAR	774,163	2,715	39,107	,
FUND BALANCES - END OF YEAR	***		33,107	815,985
THE THE WINDS END OF TEAR	\$860,059	\$2,106	\$48,710	\$910,875

ENTERPRISE	FUNDS

MORAN TOWNSHIP ENTERPRISE FUNDS COMBINING BALANCE SHEET MARCH 31, 2004

	SEWER FUND	WATER	
ASSETS	FOND	FUND	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	\$50,541	\$164,479	\$215,020
Accounts receivable	528	1,546	2,074
Taxes receivable	-	11,734	11,734
Due from other funds	·	2,654	2,654
TOTAL CURRENT ASSETS	51,069	180,413	231,482
PROPERTY AND EQUIPMENT			
Water system	_	1.0// 707	
Water system - construction in progress	<u> </u>	1,866,725	1,866,725
Sewer system	38,160	9,705	9,705
Less: accumulated depreciation	(12,211)	(54.050)	38,160
	(12,211)	(54,870)	(67,081)
NET PROPERTY AND EQUIPMENT	25,949	1,821,560	1 947 500
O'EMPR + GOTTA	·	-,521,500	1,847,509
OTHER ASSETS			
Financing costs (net of amortization)	-	13,097	13,097
Special assessments receivable	•	275,069	275,069
TOTAL OTHER ASSETS			
TOTAL OTHER ASSETS		288,166	288,166
TOTAL ASSETS	\$77,018	\$2,290,139	\$2,367,157
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ -	Ø10.000	
Accrued interest	.	\$10,000	\$10,000
Bonds payable	-	8,832	8,832
		36,000	36,000
TOTAL CURRENT LIABILITIES	-	54,832	54,832
LONG - TERM LIABILITIES			21,032
Bonds payable			255 222
	-	355,000	355,000
Bonds payable Deferred revenue		275,069	355,000 275,069
	<u>-</u>	275,069	275,069
Deferred revenue TOTAL LONG - TERM LIABILITIES	-	. ,	
Deferred revenue	-	275,069	275,069
Deferred revenue TOTAL LONG - TERM LIABILITIES TOTAL LIABILITIES FUND EQUITY	- -	275,069 630,069	275,069 630,069
Deferred revenue TOTAL LONG - TERM LIABILITIES TOTAL LIABILITIES FUND EQUITY Contributed capital	- -	275,069 630,069 684,901	275,069 630,069 684,901
Deferred revenue TOTAL LONG - TERM LIABILITIES TOTAL LIABILITIES FUND EQUITY	- - - 77,018	275,069 630,069	275,069 630,069 684,901 1,339,369
Deferred revenue TOTAL LONG - TERM LIABILITIES TOTAL LIABILITIES FUND EQUITY Contributed capital Retained earnings - Unreserved		275,069 630,069 684,901 1,339,369	275,069 630,069 684,901
Deferred revenue TOTAL LONG - TERM LIABILITIES TOTAL LIABILITIES FUND EQUITY Contributed capital	- - 77,018	275,069 630,069 684,901 1,339,369	275,069 630,069 684,901 1,339,369

MORAN TOWNSHIP ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 2004

	SEWER FUND	WATER FUND	TOTAL
OPERATING REVENUES			
Charges for services and sales			
g	\$32,813	\$119,589	\$152,402
OPERATING EXPENSES			
Cost of sales	24,245	0.7.0	
Amortization	24,245	85,924	110,169
Depreciation	763	1,348	1,348
Professional fees	703	20,169	20,932
		405	405
TOTAL OPERATING EXPENSES	25,008	107.046	
	23,000	107,846	132,854
OPERATING INCOME	7,805	11.742	
	7,003	11,743	19,548
NON-OPERATING REVENUES (EXPENSES)			
Interest income	266	20,697	20.042
Current taxes - special assessments	_	33,036	20,963
Interest expense	<u>-</u>	(4,906)	33,036
Bond maintenance fees	-	(250)	(4,906)
Moment		(230)	(250)
TOTAL NON-OPERATING			
INCOME (EXPENSES) - NET	266	48,577	40 0 42
NUTRALGORIA		10,577	48,843
NET INCOME	8,071	60,320	68,391
ADD. Dec. 1 if you		,	00,391
ADD: Depreciation on Fixed Assets			
Acquired with contributed capital	<u> </u>	13,529	13,529
INCREASE (DECDEACE) IN			10,02)
INCREASE (DECREASE) IN RETAINED EARNINGS			
RETAINED EARWINGS	8,071	73,849	81,920
RETAINED EARNINGS, BEGINNING OF YEAR			<i>,</i>
	68,947	192,020	260,967
RETAINED EARNINGS, END OF YEAR			
== 22 End thios, END OF YEAR	\$77,018	\$265,869	\$342,887

MORAN TOWNSHIP ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2004

=	SEWER FUND	WATER FUND	TOTAL
CACH ELONIS ED ON		7010	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$7,805	\$11,743	\$19,548
Adjustment to reconcile operating income to net			417,510
cash provided by operating activities:			
Amortization	-	1,348	1,348
Depreciation	763	20,169	20,932
(Increase) decrease in:		,	20,932
Accounts receivable	14	461	475
Taxes receivable	-	(11,734)	
Due from other funds	-	(1,092)	(11,734)
Increase (decrease) in:		(1,072)	(1,092)
Accounts payable	_	10,000	10.000
Accrued interest	_	2,218	10,000
			2,218
NET CASH FLOWS FROM			
OPERATING ACTIVITIES	8,582	33,113	44 60-
		33,113	41,695
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES:			
Purchase of fixed assets and construction in progress		(1,500,000)	
Construction period interest	-	(1,598,829)	(1,598,829)
Current taxes - special assessments	-	(12,264)	(12,264)
Interest expense	-	33,036	33,036
Federal grant recorded as contibuted capital	-	(4,906)	(4,906)
Bond fees	-	1,352,898	1,352,898
Principal paid on bonds	-	(250)	(250)
		(11,000)	(11,000)
NET CASH (USED) BY CAPITAL AND			
RELATED FINANCING ACTIVITIES			
		(241,315)	(241,315)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income			
	266	20,697	20,963
NET INCREASE (DECREASE) IN CASH AND			
CASH EQUIVALENTS			
ONDER DE CONTRACTOR DE CONTRAC	8,848	(187,505)	(178,657)
CASH AND CASH EQUIVALENTS,			•
BEGINNING OF YEAR			
BEGINNING OF TEAR	41,693	351,984	393,677
CASH AND CASH EQUIVALENTS,			
END OF YEAR	***		
	\$50,541	\$164,479	\$215,020

TRUST AND AGENCY FUND

MORAN TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TRUST AND AGENCY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2004

_		BALANCE APRIL 1, 2003	ADDITIONS	DELETIONS	BALANCE MARCH 31, 2004
ASS Cas	ETS: h	077.7.10			
	_	\$57,540	\$1,690,098	\$1,726,996	\$20,642
LIA	BILITIES:				
	to other funds to State	\$13,082	\$263,114	\$267,903	\$8,293
	to County	27.000	273,923	273,923	-
	to Schools	37,820	332,367	359,668	10,519
D ue	to Intermediate School	-	762,882	762,882	-
Dis	trict	6,638	57,812	62,620	1,830
		\$57,540	\$1,690,098	\$1,726,996	\$20,642

FEDERAL AWARDS SUPPLEMENTAL INFORMATION

Member-

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 3, 2004

Township Board Moran Township Mackinac County, Michigan

I have audited the general purpose financial statements of *Moran Township*, *Mackinac County*, *Michigan* as of and for the year ended March 31, 2004, and have issued my report thereon dated August 3, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether *Moran Township's* general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of *Moran Township* in a separate letter dated August 3, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered *Moran Township's* internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect *Moran Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, I believe the reportable condition above is not a material weakness. I also noted other matters involving the internal control over financial reporting that I reported to the management of *Moran Township*, in a separate letter dated August 3, 2004.

This report is intended solely for the information and use of *Moran Township's* management and the US. Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

Richard E. Mahlmeister, C.P.A.

Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 3, 2004

Township Board Moran Township Mackinac County, Michigan

Compliance

I have audited the compliance of *Moran Township*, *Mackinac County*, *Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB)* Circular A-133 Compliance Supplement that is applicable to the major Federal programs for the year ended March 31, 2004. Moran Township's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of Moran Township's management. My responsibility is to express an opinion on Moran Township's compliance based on my audit.

I conducted the audit of compliance in accordance with auditing standards general accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Moran Township's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that the audit provides a reasonable basis for my opinion. The audit does not provide a legal determination on Moran Township's compliance with those requirements.

In my opinion, *Moran Township* complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year rending March 31, 2004.

Internal Control Over Compliance

The management of *Moran Township* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing my audit, I considered Moran Township's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

I have audited the general purpose financial statements of *Moran Township* as of and for the year ended March 31, 2004 and have issued a report thereon dated August 3, 2004. My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statement taken as a whole.

This report is intended solely for the information and use of *Moran Township's* management and the US. Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

**Record Township's management and the US. Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

Richard E. Mahlmeister, C.P.A.

MORAN TOWNSHIP SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2004

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES
U.S DEPARTMENT OF COMMERCE Economic Development Assistance Public Works and Development Facilities	11.300		
a done works and Development Patinties	11.300	\$1,352,898	\$1,352,898
TOTAL FEDERAL FINANCIAL ASSISTANCE	E .	\$1,352,898	\$1,352,898

MORAN TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the financial statements. I noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements. The Township did not qualify as a low-risk auditee.

One reportable condition in internal control over financial statement reporting was disclosed during the audit. The condition is not considered to be a reportable condition.

An unqualified opinion was issued on compliance for major programs. I did not disclose any findings related to internal controls or compliance related to the major programs tested.

Moran Township had one major federal program (and the only federal program) tested to cover 50 percent of the total Federal expenditures, the U.S. Department of Commerce, Economic Development Assistance, Public Works and Development Facilities (CFDA 11.300) program. Total Federal expenditures for the year ended March 31, 2004 for this major program was \$1,352,898, which represents 100 percent of the total Federal expenditures.

FINDINGS/NONCOMPLIANCE

Reportable Conditions related to Internal Control Over the Financial Statements.

<u>Finding</u> - Because of inherent staff limitations, there is a general lack of segregation of duties in the collection and disbursement of funds.

<u>Grantee Response</u> – Township management recognizes the risk, but no action will be implemented due to the costs exceeding the benefits.

Findings Related to Compliance with Requirements Related to the Financial Statements.

None.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None.

Questioned Costs.

None.

Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

August 3, 2004

Township Board Moran Township Mackinac County, Michigan

In planning and performing my audit of the general purpose financial statements of *Moran Township, Mackinac County, Michigan*, for the year ended March 31, 2004, I considered the Township's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters involving the internal control structure and other operational matters, presented for your consideration, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated August 3, 2004 on the financial statements of the *Moran Township*.

Thank you for the opportunity to serve *Moran Township*. I appreciate the assistance I received from both the Treasurer and Clerk. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

Moran Township Comments & Suggestions August 3, 2004 Page 2 (two)

REPORTABLE CONDITION

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Moran Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Foundation. This condition is generally inherent in organizations the size of *Moran Township*, where corrective action is not practical, and is not considered to be a material weakness.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, perhaps quarterly, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

UPCOMING FINANCIAL REPORTING CHANGES

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the most significant change in the history of government financial reporting. These new requirements for the annual financial reports of state and local governments become effective for Moran Township for the year ended March 31, 2005 (the first audit year will be March 31, 2006) and may take time to implement.

As the effective date will be next audit year (March 31, 2006), I would be pleased to explain these changes and what they mean for Moran Township as well as assist in implementing this new standard.